

Message Text

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC PRIORITY 9142

C O N F I D E N T I A L SECTION 1 OF 4 CARACAS 8863

FOR SERGEANT ARA/AND/V

E.O. 11652: GDS

TAGS: PFOR, VE, EGEN

SUBJECT: PROGNOSIS AND PRESCRIPTION PAPER

REF: (A) STATE 208039 (B) CARACAS 6959

1. US-VENEZUELAN RELATIONS, MID-1978.

A. GENERAL STATE OF RELATIONS.

I.A.1. THE MOST IMPORTANT FACTORS AFFECTING VENEZUELA'S RELATIONS WITH THE UNITED STATES ARE ECONOMIC. MOST SIGNIFICANT ARE THE HIGH, CARTELIZED PRICES VENEZUELA IS RECEIVING FOR ITS PETROLEUM, AND VENEZUELA'S CONCENTRATION ON ITS INTERNAL DEVELOPMENT, USING THESE FUNDS. THIS NEW FINANCIAL STRENGTH HAS BROUGHT VENEZUELA INTO THE FOREFRONT OF THIRD WORLD COUNTRIES AND ENABLED IT TO MAKE LOANS TO INTERNATIONAL ORGANIZATIONS AND INDIVIDUAL LESS DEVELOPED COUNTRIES TO AMELIORATE THEIR PROBLEMS STEMMING FROM HIGHER OIL PRICES. THE NEW WEALTH HAS MADE VENEZUELA A GROWING
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MARKET FOR US TECHNOLOGY, CAPITAL AND CONSUMER GOODS AND SERVICES AND IT HAS GIVEN VENEZUELA A NEW POLITICAL IMPORTANCE.

I.A.2. A COUNTRY WITH AN EXCELLENT INTERNATIONAL POSITION AT LEAST THROUGH 1978, WHOSE MAJOR PROBLEMS ARE THE MORE PLEASANT ONES OF HOW TO SPEND LARGE AMOUNTS OF ITS OWN MONEY FOR INTERNAL DEVELOPMENT, IT SHOULD BE ABLE TO SUSTAIN A GOOD

RELATIONSHIP WITH THE UNITED STATES FOR THE NEXT YEAR. HOWEVER, THERE ARE SOME PROBLEMS THAT COULD CLOUD THIS ESSENTIALLY POSITIVE OUTLOOK. THE UNITED STATES COULD BE PERCEIVED BY THE GOV AS USING ITS INFLUENCE TO DESTABLIZE OPEC OR TO CONTROL ITS PRICE SETTING ROLE, OR THE STRAINS AND INEFFICIENCIES OF THE DOMESTIC DEVELOPMENT EFFORT COULD BECOME GREAT ENOUGH TO INDUCE THE GOV TO LOOK FOR AN EXTERNAL SCAPEGOAT. THE FORCED PACE OF DEVELOPMENT IN THE ECONOMY, LACKING IN EVERYTHING BUT FINANCIAL AND NATURAL RESOURCES AND WITH INADEQUATE FISCAL AND MONETARY RESTRAINTS, IS CREATING INFLATIONARY PRESSURES WHICH INFORMED VENEZUELANS REALIZE ARE PRIMARILY OF THE COUNTRY'S OWN MAKING. BUT AS THE PRESIDENTIAL CAMPAIGN REACHES ITS CLIMAX IN THE LATTER PART OF 1978, THERE MAY WELL BE A TENDENCY TO BLAME INFLATION ON THE RISING PRICES OF THE RAPIDLY GROWING LEVEL OF IMPORTS, THE LARGEST PART OF WHICH COME FROM THE UNITED STATES.

I.A.3. THE PROBLEMS PENDING FROM OIL NATIONALIZATION COULD BECOME ANOTHER POINT OF FRICTION. IF THESE ARE NOT SETTLED SOON, SOME OF THE COMPANIES INVOLVED MAY CLAIM EXPROPRIATION WITHOUT COMPENSATION AND ATTEMPT TO INVOKE FORMAL USG INTERVENTION, WITH SANCTIONS. SUCH ACTION, PARTICULARLY DURING A PRESIDENTIAL ELECTION YEAR, WOULD HAVE A DECIDEDLY NEGATIVE EFFECT ON US-VENEZUELAN RELATIONS. EVEN WITHOUT

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SUCH ACTION, OIL NATIONALIZATION IS LIKELY TO BE A MAJOR ELECTION ISSUE, WITH INEVITABLE CRITICISM DIRECTED AT THE TECHNICAL AND MARKETING AGREEMENTS STILL IN EFFECT BETWEEN THE NATIONALIZED INDUSTRY AND THE FORMER CONCESSIONAIRES.

I.A.4. ON THE POLITICAL SIDE, BY MID-1978, THE PANAMA CANAL TREATY WILL HAVE BEEN RATIFIED OR REJECTED BY THE US SENATE AND A REJECTION WILL INTRODUCE A NEGATIVE ELEMENT WHICH COULD ALSO BE EXACERBATED BY CAMPAIGN EMOTIONALISM.

I.A.5. ON OTHER ISSUES, OUR RELATIONS WILL BE DETERMINED TO A GREAT DEGREE BY THE ABILITY OF THE USG TO RESPOND COHERENTLY AND RAPIDLY TO THE MAJOR AGENDA ITEMS IDENTIFIED IN THE PEREZ, YOUNG AND MRS. CARTER VISITS EARLIER THIS YEAR, I.E. NORTH-SOUTH DIALOGUE, COORDINATED ACTION ON THE CARIBBEAN, NUCLEAR QUESTIONS AND ENERGY COOPERATION AND OTHER ISSUES CITED IN THE FOLLOWING PAGES.

I.A.6. FINALLY, A POSSIBLE TROUBLESOME ISSUE IS THE POTENTIALLY DISRUPTIVE ROLE OF ANTI-CASTRO CUBANS IN VENEZUELA. WHILE WE HAVE NO HARD EVIDENCE, THERE ARE REPORTS THAT EXTREMISTS WITHIN THAT COMMUNITY ARE PLANNING ACTIONS

AGAINST GOV FIGURES AND POSSIBLY EMBASSY OR OTHER
USG OFFICIALS.

I.B. SPECIFIC BILATERAL ISSUES.

I.B.1. VENEZUELA'S THIRD WORLD ASPIRATIONS.
AS AN OPEC MEMBER AND BECAUSE IT MUST MEET RISING
DEVELOPMENT COSTS, VENEZUELA CAN BE EXPECTED TO SUPPORT
HIGHER PETROLEUM PRICES, WHICH WE DO NOT WELCOME. TO
ATTENUATE THIS ADVERSARY POSITION WITH A COOPERATIVE ASPECT,
VENEZUELA IS USING OVER \$2 BILLION OF ITS OIL REVENUES
TO ASSIST NEARBY LATIN AMERICAN AND CARIBBEAN COUNTRIES,
PORTUGAL, REGIONAL BANKS AND MULTILATERAL ORGANIZATIONS,
A POLICY WE SUPPORT ALTHOUGH IT DOES RAISE CONCERNS ABOUT
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VENEZUELAN HEGEMONY IN SOME NEARBY COUNTRIES. AS A
"HAVE" THIRD WORLD COUNTRY, VENEZUELA WANTS TO PLAY A
LARGER ROLE AS A THIRD WORLD LEADER AND WILL MOVE FURTHER
IN THIS DIRECTION IN THE YEAR AHEAD. WE ENCOURAGE THIS
AND SHOULD WORK WITH VENEZUELAN ON SPECIFIC ISSUES. WHILE
VENEZUELA IDENTIFIES WITH THIRD AND FOURTH WORLD ESIR
DESIRES AS VOICED IN THE CIEC MEETING, IT ALSO IS IN THE
UNIQUE POSITION OF BEING A GREAT BENEFICIARY OF THE
EXISTING INTERNATIONAL TRADING AND FINANCIAL SYSTEM

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TO SECSTATE WASHDC PRIORITY 9143

C O N F I D E N T I A L SECTION 2 OF 4 CARACAS 8863

FOR SERGEANT ARA/AND/V

CREATED BY THE INDUSTRIAL COUNTRIES. THIS "FOOD IN BOTH CAMPS" AND A HISTORY OF GOOD RELATIONS WITH THE UNITED STATES MAKE VENEZUELA A BRIDGE FOR US TO THE THIRD WORLD. THIS WAS RECOGNIZED IN THE JUNE MEETINGS BETWEEN THE TWO PRESIDENTS AND SHOULD PROVIDE FOR AT LEAST PARTIAL COOPERATION, EVEN THOUGH THE BROADER FRAMEWORK OF PETROLEUM CATEL PRICES IS AN ADVERSARY RELATIONSHIP.

I.B.2. SETTLEMENT OF PROBLEMS REMAINING FROM OIL NATIONALIZATION ORIGINALLY TO HAVE BEEN SETTLE IN 1976, THESE PROBLEMS MAY NOW DRAG OUT WELL INTO 1978. ALL OF THE COMPANIES INVOLVED ARE BECOMING IMPATIENT; SOME APPEAR INCREASINGLY DISPOSED TO CALL FOR FORMAL GOVERNMENT INTERVENTION FROM THE US.

I.B. 3. FACILITATION OF BILATERAL TRADE. EACH COUNTRY IS A MAJOR MARKET FOR THE EXPORTS OF THE OTHER COUNTRY. IT IS IN THE INTEREST OF BOTH TO EXPAND AND DIVERSITY THIS TRADE.

I.B.4. SCIENCE AND TECHNOLOGY COOPERATION - AN EXCHANGE OF CONFIDENTIAL

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DRAFT TEXTS OF A PROPOSED SCIENCE AND TECHNOLOGY UMBRELLA AGREEMENT HAS TAKEN PLACE, WITH THE GOV NOW CONSIDERING OUR LATEST VERSION.

I.B.5. U.S. ROLE IN FUTURE PETROLEUM DEVELOPMENT - MAINTENCE OF A CONTINUING US ROLE, INCLUDING BOTH THE PRIVATE SECTOR AND THE USG, IN THE DEVELOPMENT OF NEW PETROLEUM PRODUCING CAPACITY IS IMPORTANT TO MAINTAIN VENEZUELA AS A MAJOR WESTERN HEMISPHERE SOURCE OF OIL. THE US HAS PROPOSED A GOVERNMENT-TO-GOVERNMENT AGREEMENT ON ENERGY TECHNOLOGY.

I.B.6. NIEHOUS CASE - THERE IS CONTINUING SPORADIC PUBLICITY AND PRESSURE FROM THE NIEHOUS FAMILY, CONGRESS, ETC. TO RESOLVE THIS CASE.

I.B.7. CUBANA AIRLINER CASE - ORLANDO BOSCH AND HIS CONFEDERATES ARE NOW IN A MILITARY PRISON AWAITING TRIAL ON MILITARY CHARGES ARISING FROM THE OCT. 6 BOMBING OF THE CUBANA AIRLINER. AS THE CASE PROGRESSES, THERE COULD BE ACCUSATIONS FROM THOSE INVOLVED THAT THE CIA AND/OR THE USG IN GENERAL IS COLLABORATING WITH PEREZ IN THE "PERS- ECUTION" OF THESE MEN.

I.B.8. BORDONI EXTRADITION CASE - SHOULD THE SUPREME COURT EITHER DECIDE TO FREE BORDONI, OR MORE LIKELY, TO TURN HIM OVER TO THE ITALIAN AUTHORITIES SUCH A DECISION WOULD BE VIEWED WITH DISAPPROVAL BY THE USG.

I.B.9. HUMAN RIGHTS COMMITMENT - VENEZUELA AND THE U.S. SHARE A COMMON COMMITMENT TO THE PROMOTION OF HUMAN RIGHTS. THIS INCLUDES SUPPORT FOR THE INTER-AMERICAN COVENTION ON HUMAN RIGHTS, AND OTHER INITIATIVES INVOLVING INTER
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ALIA THE INTER-AMERICAN HUMAN RIGHTS COMMISSION.

I.B.10. U.S. ARMS SALES POLICY - THE NEE RESTRICTIVE U.S. ARMS SALES POLICY AND THE ELIMINATION OF THE MILGP AND ITS SUBSTITUTION BY AN ODC WILL RAISE SOME QUESTIONS AMONG THE VENEZUELAN MILITARY ABOUT CONTINUED USG INTEREST IN THE VENEZUELAN MILITARY. WHILE WE DO NOT ANTICIPATE ANY MAJOR DIFFICULTIES ARISING FROM THIS ISSUE, IT IS WORTHY OF NOTE.

I.B.11. US WITHDRAWAL FROM ILO. THIS IS A MAJOR CONCERN TO PEREZ.

I.B.12. TERRORISTS - ANTI-CASTRO CUBAN EXILE ACTIVITIES IN VENEZUELA.

I.C. MULTILATERAL, REGIONAL OR SUB-REGIONAL ISSUES.

I.C.1. PANAMA CANAL TREATY.

RATIFICATION OF THE CANAL TREATIES BY THE US SENATE.

I.C.2. LAW OF THE SEA.

THE USG AND GOV HAVE CONSULTED REGULARLY ON LOS ISSUES. HOWEVER, OUR TWO GOVERNMENTS HAVE SERIOUS CONCEPTUAL DIFFERENCES REGARDING SEVERAL KEY LOS ISSUES, INCLUDING DEFINITION OF THE PATRIMONIAL SEA, AND THE DEFINITION AND MANDATE OF THE SEABED AUTHORITY. IN ADDITION, VENEZUELA'S FAILURE TO OPPOSE THE ENGO REVISION OF THE DEEP SEABED MINING TEXT AT THE END OF THE LAST LOS SESSION WAS A SERIOUS DISAPPOINTMENT AND DOES NOT AUGUR WELL FOR THE FUTURE. UNLESS THE GOV COMES TO ACCEPT TH SERIOUSNESS WITH WHICH THE USG VIEWS THIS DEVELOPMENT, WE COULD FIND OURSELVES CONFRONTING A SUBSTANTIAL
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PROBLEM WITH VENEZUELA ON THIS ISSUE.

I.C.3. THE CARIBBEAN.

AS PART OF OUR ESSENTIALLY BILATERAL APPROACH TO VENEZUELA AS A UNIQUE THIRD WORLD COUNTRY, THERE IS THE MULTILATERAL QUESTION OF THE COOPERATIVE ROLE VENEZUELA AND THE US CAN PLAY IN THE CARIBBEAN. AT THE MEETING WITH PRESIDENT CARTER IN JUNE, PRESIDENT PEREZ(CAP) PROPOSED COORDINATED ACTION ON AID TO THE CARIBBEAN, INCLUDING AN INTERNATIONAL CONFERENCE AMONG INTERESTED COUNTRIES AND INTERNATIONAL FINANCIAL INSTITUTIONS TO DECIDE ON A COURSE OF ACTION. VARIOUS OPTIONS ARE ACTIVELY UNDER REVIEW IN THE USG.

I.C.4. LATIN AMERICAN AND CARIBBEAN ECONOMIC INTEGRATION.

VENEZUELA IS A COMMITTED MEMBER OF THE ANDEAN PACT AND A FIRM SUPPORTER OF INTEGRATION. INDIGENOUS REGIONAL ECONOMIC ORGANIZATIONS HAVE BEEN DEVELOPEDBUT ARE NOT STRONG AND COULD BENEFIT FROM US SUPPORT. CAP HAS VOICED SKEPTICISM ABOUT THE DEGREE OF US INTEREST IN INTEGRATION.

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NUCLEAR ISSUES.

I.C.5. CAP STRONGLY SUPPORTED USG INITIATIVES ON NON-PROLIFERATION IN GENERAL, AND THE FINAL PUTTING INTO EFFECT OF THE TLATELOLCO TREATY.

CAP ALSO SUGGESTED THAT LATIN AMERICA SHOULD ESTABLISH A JOINTLY OWNED NUCLEAR PROCESSING PLANT UNDER THE AEGIS OF OLADE (LATIN AMERICAN ENERGY ORGANIZATION) AND SELA (ECONOMIC SYSTEM FOR LATIN AMERICA). THE U.S. SEEKS VENEZUELAN PARTICIPATION IN THE INTERNATIONAL NUCLEAR FUEL CYCLE EVALUATION PROGRAM.

I.C.6.ILLEGAL PAYMENTS.

CAP PROMISED PRESIDENT CARTER HE WOULD DISCUSS WITH OTHER DEVELOPING COUNTRIES THE NEGOTIATION OF AN ILLICIT PAYMENTS TREATY IN THE UNECOSOC. CAP POINTED OUT THAT ACTION ON A COMPREHENSIVE CODE OF CONDUCT FOR TRANSNATIONAL CORPORATIONS IS ALSO NEEDED AND US SUPPORT OF THIS IS NECESSARY.

I.C.7. BELIZE.

THERE IS A CONTINUING ROLE FOR CAP IN DISCUSSIONS WITH THE CONFIDENTIAL

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GOVERNMENT OF GUATEMALA ON THIS ISSUE.

I.C.8. BOLIVIAN ACCESS TO THE SEA.

CAP IS INTERESTED IN A RESOLUTUION OF THIS PROBLEM.

I.C.9. REGIONAL ARMS REDUCTION.

CAP IS INTERESTED IN THE REDUCTION OF OFFENSIVE WEAPONS, CONTINUING THE IMPETUS ESTABLISHED AT THE AYACUCHO SUMMIT.

I.C.10. SOUTHERN AFRICA:

CAP HAS OFFERED TO ASSIST IN THE IMPLEMENTATION OF A PEACEFUL SOLUTION TO THE RHODESIAN AND SOUTH AFRICAN ISSUES.

II. STEPS WE SHOULD TAKE:

A. GENERAL.

II.A.II A.1 FOR THE FIRST TIME IN ITS HISTORY, VENEZUELA HAS THE POSSIBILITY OF BECOMING AN ECONOMICALLY WELL DEVELOPED COUNTRY, TO MATCH THE STRIDES IT HAS ALREADY TAKEN TO REACH ITS CURRENT LEVEL OF DEMOCRATIC POLITICAL DEVELOPMENT. THE ADDED WORLD IMPORTANCE ITS NEW FINANCIAL STATUS IS GIVING VENEZUELA, IS ENCOURAGING THE VENEZUELAN TO TAKE A MORE VIGOROUS AND INVOLVED REGIONAL AND INTERNATIONAL POSITION. VENEZUELA NEEDS THE UNITED STATES AS A MARKET, HOPEFULLY FOR MORE THAN JUST PETROLEUM PRODUCTS IN THE FUTURE. IT NEEDS THE DEVELOPED COUNTRY PRODUCTS AND

TECHNOLOGY THAT THE UNITED STATES CAN SUPPLY HOWEVER, THIS DYNAMISM AND BROADER REACH OF VENEZUELAN INTERESTS COULD CREATE SOME ADVERSARY ASPECTS.

II.A.2 WE CAN NEUTRALIZE OR ATTENUATE THESE ASPECTS BY:

1) RATIFYING THE PANAMA CANAL TREATY, 2)ADOPTING A CONFIDENTIAL

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CONSTRUCTIVE ATTITUDE TOWARD POSITIVE VENEZUELAN PROPOSALS AND INITIATIVES IN THE NORTH-SOUTH CONTEXT, 3) MOVING RAPIDLY TO DEVELOP A POSITION ON THE CARIBBEAN ASSISTANCE INITIATIVE WHICH WILL UTILIZE VENEZUELAN FUNDS AND ITS DESIRE TO BE AN IMPORTANT PART OF THE AREA'S PROGRESS.

4) SHOWING OUR SUPPORT FOR LATIN AMERICAN INTEGRATION, 5) ASSISTAING VENEZUELA TO DEVELOP THROUGH TRANSFERS OF TECHNOLOGY AND HELPING THE US PRIVATE SECTOR TO CARRY ON ITS OWN COMMERCIAL SALES, SERVICE AND TRANSFERS OF TECHNOLOGY. THESE POINTS ARE DISCUSSED MORE COMPLETELY BELOW.

II B. STEPS WE SHOULD TAKE ON SPECIFIC ISSUES.

II.B.1. VENEZUELANS THIRD WORLD ASPIRATIONS.

WE SHOULD STIMULATE A CONTINUING BILATERAL DIALOGUE ON THE WHOLE RANGE OF MULTILATERAL TRADE AND ECONOMIC ISSUES AND BUILD ON VENEZUELA'S IDEAS AND INITIATIVES WHERE POSSIBLE.

WE SHOULD CONTINUE TO GIVE APPROPRIATE RECOGNITION TO VENEZUELA'S LEADING ROLE IN THIRD WORLD MATTERS, AS A VOICE OF MODERATION AND AS AN INTERMEDIARY BETWEEN THE THIRD WORLD AND INDUSTRIAL COUNTRIES.

II.B.2. SETTLEMENT OF PETROLEUM NATIONALIZATION PROBLEMS.

THIS IS A PROBLEM BETWEEN THE US OIL COMPANIES AND THE GOV. WE SHOULD LIMIT OUR INVOLVEMENT TO DISCREET REMINDERS AND INQUIRIES AS TO PROGRESS.

I.B.3. INITIATIVES TO DEVELOP BILATERAL TRADE.

-REMOVE VENEZUELA FROM THE GSP EXCLUSION LIST.
-EXTEND TECHNICAL ASSISTANCE TO VENEZUELA EXPORT PROMOTION EFFORTS.
-ENCOURAGE VENEZUELA TO PARTICIPATE IN MTN MORE
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ACTIVELY.

II.B.4. SCIENCE AND TECHNOLOGY COOPERATION - ENCOURAGE PROMPT APPROVAL AND SIGNATURE OF A GENERAL AGREEMENT, AS WELL AS SPECIFIC COOPERATIVE PROJECTS IN AREAS OF MUTUAL INTEREST.

II.B.5. ENERGY COOPERATION - DISCREETLY ENCOURAGE THE US PRIVATE SECTOR TO CONTINUE ITS ROLE IN THE DEVELOPMENT OF VENEZUELAN ENERGY SOURCES, PARTICULARLY PETROLEUM, WITHIN THE FRAMEWORK OF THE NATIONALIZED OIL INDUSTRY. IN ADDITION, FOSTER INCREASED GOVERNMENT TO GOVERNMENT COOPERATION IN THE ENERGY FIELD, INCLUDING REGULAR BILATERAL CONSULTATIONS (SECRETARY SCHLESINGER AND MINISTER OF ENERGY HERNANDEZ ARE TO MEET LATER THIS YEAR) AND POSSIBLE COOPERATION IN ENERGY (PARTICULARLY HEAVY OIL) RESEARCH.

II.B.6. NIEHOUS CASE - USG SHOULD CONTINUE TO INTERCHANGE IDEAS, AND ANY INFORMATION EITHER USG OR GOV MAY DEVELOP.

II.B.7. CUBANA AIRLINER CASE - USG SHOULD NOT UNDERTAKE ANY POSITIVE ACTION, BUT MERELY FOLLOW AND REPORT DEVELOPMENTS AS THEY OCCUR.

II.B.8. BORDONI CASE - FOLLOWUP RAPIDLY WITH SUPREME COURT REQUEST FOR FURTHER INFORMATION AND MAINTAIN REGULAR INFORMAL CONTACTS WITH INFORMED GOV OFFICIALS ON THIS CASE.

II.B.9. HUMAN RIGHTS - USG SHOULD TAKE EVERY OPPORTUNITY TO WORK WITH GOV TO FOSTER AN INCREASED ROLE (AND FINANCIAL CONFIDENTIAL

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SUPPORT) FOR THE INTER-AMERICAN HUMAN RIGHTS COMMISSION. USG SHOULD ALSO CONSULT REGULARLY WITH GOV OFFICIALS, PARTICULARLY AT UN, TO SHARE VIEWS ON HOW BEST TO PROMOTE HUMAN RIGHTS INITIATIVES WITHIN THE UN CONTEXT.

II.B.10. U.S. ARMS SALES POLICY - SPELL OUT CLEARLY NEW POLICY TO TOP GOV LEADERS AND NEGOTIATE APPROPRIATE LEGAL ARRANGEMENTS FOR THE NEW ODC WHEN IT IS ESTABLISHED. ALSO FOLLOW CLOSELY GOV PURCHASES OF ARMS TO SEE WHETHER THIRD COUNTRY SUPPLIERS ARE INTRODUCING WEAPONS SYSTEMS WHICH MIGHT SERIOUSLY DESTABILIZE VENEZUELAN-COLOMBIAN RELATIONS.

II.B.11. US WITHDRAWAL FROM ILO. IF WE DO SO, INFORM GOV OF

REASONS WHY WE HAVE DECIDED TO UNDERTAKE THIS ACTION AND
ASK THEM TO CONSIDER SERIOUSLY WHETHER IT IS IN THEIR
INTEREST TO AVOID OPPOSITION TO CONTINUED POLITIZATION
OF OTHER UN SPECIALIZED AGENCIES.

II-C. MULTILATERAL, REGIONAL AND SUB-REGIONAL ISSUES.

II.C.1. PANAMA CANAL TREATY - RATIFY THE TREATIES.

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II.C.2. LOS-CONTINUE CLOSE CONTACTS WITH FORMIN COSALVI
AND GOV LOS EXPERT AGUILAR ON EXCHANGES OF IDEAS AND
INFORMATION PRIOR TO SPRING LOS SESSION. IMPRESS ON
THEM IMPORTANCE USG PLACES ON FINDING SATISFACTORY
SOLUTION TO SEABED MINING ISSUE AND THAT USG IS
PREPARED TO SCUTTLE EFFORT UNLESS NEGOTIATIONS ARE
CARRIED ON IN A STRAIGHT-FORWARD AND EQUITABLE MANNER.

II.C.3. THE CARIBBEAN.

DEVELOP A SPECIFIC PLAN FOR REGIONAL CARIBBEAN
DEVELOPMENT WHICH ASSIGNS A KEY ROLE TO VENEZUELA, NOT
ONLY AS DONOR COUNTRY BUT AS FULL PARTICIPANT.

WE HAVE INFORMED GOV THAT A SPECIAL GROUP HAS BEEN
SET UP IN WASHINGTON TO DEVELOP USG PROPOSAL.

II.C.4 ECONOMIC INTEGRATION.

GIVE FINANCIAL AND TECHNICAL SUPPORT TO INDIGENOUS
REGIONAL INTEGRATION ORGANIZATIONS, WHERE PRACTICAL.
APPROPRIATE CANDIDATES WOULD BE SELA, CAF AND THE
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ANDEAN PACT ORGANIZATION.

II.C.5 NUCLEAR ISSUES - COORDINATE UN AND OTHER NPT EFFORTS
WITH GOV BEFOREHAND TO ESTENT FEASIBLE, AND SEEK CAP'S
CONTINUING VIEWS ON ARGENTINE, BRAZILIAN, FRENCH, USSR
SUPPORT FOR TLATELOLCO TREATY.

IF WE ARE INTERESTED IN A JOINTLY OWNED NUCLEAR
REPROCESSING PLANT IN LATIN AMERICA UNDER OLADE
AND SELA WE SHOULD CONSULT FURTHER WITH GOV OR
PRESENT SOME ALTERNATIVE. WE SHOULD CONTINUE
TO ENCOURAGE ACTIVE GOV PARTICIPATION IN THE
INTERNATIONAL NUCLEAR FUEL CYCLE EVALUATION.

II.C.6. ILLEGAL PAYMENTS.
WE SHOULD MAINTAIN AN ACTIVE PART IN THE EFFORT TO
DEVELOP A CODE OF CONDUCT FOR TRANSNATIONAL CORPORATIONS.
EVIDENCE OF OUR INTEREST IN ESTABLISHING A CODE WOULD
ASSIST CAP IN HIS EFFORTS TO DEVELOP SUPPORT AMONG
THE G-77 NATIONS FOR AN ILLEGAL PAYMENTS TREATY.

II.C.7. BELIZE - CONTINUE TO SEEK CAP'S VIEWS AND HIS INTER-
VENTION WITH PRICE AND LAUGERUD AS CALLED FOR IN SPECIFIC
CIRCUMSTANCES.

II.C.8. BOLIVIAN ACCESS - WHILE CAP DOES NOT HAVE DIRECT ROLE
TO PLAY, KEEP HIM INFORMED OF CHILEAN-BOLIVIAN-
PERUVIAN DEVELOPMENTS, AS DISCRETION PERMITS, AND ALSO
EXPLORE WITHIN USG FEASIBILITY OF PUTTING FLES ON
CAP'S IDEA OF A SOUTH PACIFIC "POLE OF DEVELOPMENT."

II.C.9. REGIONAL ARMS REDUCTION.
AT THE APPROPRIATE TIME, SEEK CAP'S VIEWS ON WHETHER
FURTHER DISCUSSIONS BETWEEN ANDEAN LEADERS MIGHT BE CALLED
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FOR IN THIS CONTEXT.

II.C.10. SOUTHERN AFRICA.
CONTINUE TO BRIEF CAP ON SOUTHERN AFRICAN DEVELOPMENTS
AND SEEK HIS GOVERNMENT'S SUPPORT FOR THIS IN A UN
CONTEXT AND WITH MODERATE AFRICANS.

III. STEPS WE SHOULD AVOID.

III.A. GENERAL.

III.A.1. GIVEN THE POSITIVE AND UPBEAT ECONOMIC AND POLITICAL POSITION OF VENEZUELA, THERE IS A MOOD OF CONFIDENCE, A FEELING THAT VENEZUELA IS IN A NEW AND BETTER ERA INTERNATIONALLY AND DOMESTICALLY. WE SHOULD AVOID ANY ACTIONS THAT WOULD CONTRADICT THIS. WE SHOULD AVOID IN ANY WAY DEPRECATING THE VENEZUELAN DEVELOPMENT EFFORT OR APPEARING CRITICAL OF THE INEVITABLE AND NUMEROUS ERRORS.

III.A.2. OUR APPROACH SHOULD BE ONE OF PARTNERS, WHERE THIS IS WHAT VENEZUELA WANTS (E.G. CARIBBEAN) AND IT SUITS OUR PURPOSE, AND, WHERE IT IS IN OUR INTERESTS TO LEAD, TO DO SO CIRCUMSPECTLY.

III.A.3. THE UNITED STATES SHOULD AVOID ACTIONS THAT APPEAR TO BE DESIGNED TO DESTABLIZE OPEC OR TAMPER WITH THE PRICE FIXING MECHANISM. THIS DOES NOT PRECLUDE VOICING OUR CONTINUED DIFFERENCE IN VIEW ON OPEC PRICING POLICY.

III.B. ON SPECIFIC BILATERAL ISSUES.

WE SHOULD:

III.B.1. AVOID DIRECT AND FORMAL USG INTERVENTION
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IN THE PETROLEUM NATIONALIZATION PROBLEMS.

III.B.2. NOT FORGET THAT VENEZUELA REMAINS INTERESTED IN SEEING THE OPEC EXCLUSIONARY AMENDMENT TO GSP REMOVED.

III.B.3. GOVE NO INDICATION THAT THE U.S. HAS A SPECIAL CLAIM TO VENEZUELA'S PETROLEUM RESOURCES OR THAT WE WISH TO REVERSE OR SOMEHOW NULLIFY THE NATIONALIZATION OF THE OIL INDUSTRY.

III.B.4. IN THE NIEHOUSE CASE, AVOID A HIGH PUBLIC PROFILE OR PRESSURE ON THE GOV TO TAKE ANY PARTICULAR COURSE OF ACTION AGAINST ITS OWN BETTER JUDGMENT.

III.B.5. IN THE CUBANA AIRLINER CASE, MAKE NO PUBLIC

STATEMENTS BEYOND REITERATION, IF QUERIED,
THAT WE HAVE REQUESTED BOSCH'S DEPORTATION TO
U.S. WE SHOULD DO NOTHING TO IMPLY TO GOV
THAT THEY SHOULD HANDLE THIE CASE ONE WAY OR
THE OTHER.

III.B.6. IN THE BORDONI CASE, AVOID EITHER PRESSURING,
OR GIVING THE APPEARANCE OF PRESSURING THE
VENEZUELAN SUPREME COURT AS IT CONSIDERS THIS
CASE.

III- C. ON THE MULTILATERAL ISSUES:

III.C.1. ON THE LAW OF THE SEA, WE SHOULD NOT FAIL TO
CONSULT IN DEPTY WITH VENEZUELA BEFORE THE
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UNITED STATES MAKES FINAL DECISIONS.
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